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Pensions & Investment Age

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The newspaper of corporate and institutional investing • $3.50 an issue • $67 a year • January 7, 1985

Brokerage fees are facing new fire

By Barry B. Burr

CHICAGO — Institutional brokerage fees, already under pressure from many quarters, will face even more heat from discount brokers.

At the same time, other brokerage firms are planning to establish consulting arms to capture soft dollars from pension funds, perhaps to offset any cut in commissions for simple trades.

Charles Schwab & Co., the nation's largest discount brokerage firm and a subsidiary of the BankAmerica Corp., announced it is establishing an institutional trading department.

"Why we're in it has to do with the fact that there is underlying pressure on money managers managing money for beneficiaries to get better commissions," said Hugo Quackenbush, Schwab senior vice president.

The pressure is coming from pension fund executives and money managers who believe the funds have paid too much for "easy" trades, trades of highly liquid stocks.

At the same time, the Securities and Exchange Commission has been examining the use of soft dollars — commission dollars — to pay brokers and others for investment services.

Pension funds' scrutiny of trading commissions isn't leading inevitably to lower commissions.

Nor is it putting an end of the use of commissions by pension executives to pay for consulting services and by their money managers to pay for research.

If anything, it appears to be leading to a further fragmentation in paying brokerage and more competition allowing more options to pension funds.

Among large institutional brokers, there is resistance to lower commissions.

Pressure comes from fund executives who believe they paid too much for "easy" trades

"We've taken a strong stand to keep rates where they are or at higher levels," said Bruce C. Hackett, managing director, equity sales and trading, Salomon Brothers Inc.

At the same time, other brokers, large and small, are considering entry into the pension consulting business as another way to generate institutional brokerage without having to reduce fees.

At Shearson Lehman/American Express Inc., William S. Rogan, Chicago-based executive vice president and director for sales and marketing, said his firm is considering starting a consulting business.

"It's been talked about," he said, citing services offered by competitors, such as Merrill Lynch & Co. and E.F. Hutton Group Inc.

As for lowering trading fees, Mr. Rogan added, "Three or 4 cents a share — it's absurd. It's tough to operate on that low com-

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Strategies reviewed in merger

By Barry B. Burr

CHICAGO — For Santa Fe Southern Pacific Corp., the start of the new year means pension executives will have to resolve two very different investment strategies because of the merger of the pension funds of its two predecessor companies.

The new pension fund had $551 million in assets after the assets of the two other pension funds — Santa Fe Industries Inc. and Southern Pacific Co. — were combined officially Jan. 1.

Santa Fe Industries' $256 million fund had structured its investments into a three-tier system of different objectives and risks.

Southern Pacific had run its $295 million pension fund with a unified investment approach.

Both pension plans, however, shared at least one characteristic: They were overfunded on a termination basis.

The first order of business for the new, merged pension fund is a major policy review.

No consultant has been hired to assist with the review of the plan, which is expected to take about six months.

The fund likely will spend the

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Late news

DOL ruling imminent

WASHINGTON — The Department of Labor's proposed definition of plan assets will be published soon, clarifying that many managers of alternative pooled investment vehicles will not fall subject to pension law fiduciary standards.

Robert Monks, outgoing U.S. pension administrator, credited venture capitalists and the Office of Management and Budget with strengthening the proposal.

The rule, which has been hung up in debate for years, is crucial to real estate, venture capital, oil and gas and other pooled investments.

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Baby Bells' inheritance

Shift of funds still pending

By Rose Darby and Fred Williams

NEW YORK — As 1985 dawns, executives of all seven baby Bell pension funds plan to complete the massive transfer of assets from AT&T and to allocate those assets according to carefully prepared, detailed game plans.

About $20 billion of a total of about $38 billion was transferred to the seven new operating companies from American Telephone & Telegraph Co. in 1983. Each received between $2 billion and $4 billion of its share of the pension assets, and each will receive $2 billion to $3 billion more in 1985.

The three funds that will have the most assets received a portion of assets from AT&T around the middle of 1984.

NYNEX Corp., New York, slated to receive a total of $7 billion, is thought to have received about $4 billion July 1; company officials refused comment.

American Information Technologies Corp., Chicago, which should receive a total of $6.5 billion, got $4.6 billion so far, and Bell Atlantic Corp., Philadelphia, which should receive a total of $5.8 billion, got $2.8 billion.

The four remaining companies received their first assets on or around Jan. 1, 1984.

Pacific Telesis Group, San Francisco, which should receive a total of $5 billion, has $3 billion in assets. BellSouth Corp., Atlanta, which should receive $4.5 billion to $5 billion, has at least $2 billion. Southwestern Bell Corp., St. Louis, which should receive a total of $4 billion, has $2 billion, and U S WEST, Englewood, Colo., which should receive $4 billion total, already has $2.3 billion.

"We are still in the process of completing the transfer of our pension fund from the former Bell System trust," said Kincaid Patterson, director of asset management for BellSouth. "That's still our overriding goal and objective, and we're still on target for completing it in 1985.

"We have the need to be excruciatingly careful and detailed in this, so we're inching along with it."

Richard Holmes, director of investment management for PacTel, explained why the transfer has been so time consuming: "Everybody had to be found and accounted for in the actuarial system, and the data put together by AT&T. When the lever is pulled, everything has to be right. We want the division of assets to be right and so does AT&T.

"It is a big problem just in terms of the data they have to deal with, and a lot of it has changed since Jan. 1 (1984)."

There has been about a 20% shift in active employees alone, he noted.

"The year 1984 was a transition year for the plans, with people who could go back and forth with some degree of portability. It is a picture of great complexity," Mr. Holmes said.

Phase II of the transfer is being delayed and is not moving as fast as initially was believed possible, said James Biundo, director of trust investment management for U S WEST.

The reasons for the delay are understandable, but frustrating, he said.

"It almost requires a perfect actuarial valuation," Mr. Biundo said. "There are almost a million people involved, and it is very hard to account for everyone being in the right place."

He does not believe the second transfer would be delayed a year, "but it could be three to six months."

"There is pressure on everyone and everyone is anxious to get it over with, including AT&T. They

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AT&T to reduce manager lineup

NEW YORK — AT&T, which received its first distribution from the breakup of the Bell System pension fund Jan. 1, plans to reduce its stable of managers and increase its passive investments.

The ultimate size of the American Telephone & Telegraph Co. pension fund will be about $20 billion, making it still either the largest or second-largest corporate pension fund.

The AT&T fund is the last to receive an initial contribution from the Bell System fund, which, before divestiture, had assets of almost $54 billion.

The AT&T fund probably will inherit about 50 money managers, according to Dave Feldman, assistant treasurer-investment management. However, that number will be reduced.

One reason for the reduction is that a significant part of the fund will be managed passively, Mr. Feldman said. Passive management will save the fund money and provide more time to examine asset allocation and to grow "some of the seed efforts that we have started in international, real estate and venture capital," he said.

"We are looking in some depth at the modeling effort that goes into asset allocation and the assumptions that underlie it."

One reason Mr. Feldman plans to spend more time and effort on long-term asset allocation is that, as at many other companies, net contributions have declined at AT&T.

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Dedication has trustees of a union fund at a stalemate.

Fund stalls dedication

By Barry B. Burr

CHICAGO — Trustees of the $200 million Food & Commercial Workers pension fund are stalemated over a proposal to set up a $50 million dedicated bond portfolio, even though it might cut unfunded liabilities in half.

The two employer and two union trustees already have completed most of a major restructuring of the fund, shifting some $100 million.

They terminated two equity managers — American National Bank and Stein Roe & Farnham, both of Chicago.

They hired three others in equity — Strong/Corneliuson Capital Management Inc., Milwaukee; Barrow Hanley Mewhinney & Strauss, Dallas; and Oppenheimer Capital Corp., New York.

The trustees also added two real estate managers — Smith Barney Real Estate Corp., New York, and First Chicago Investment Advisors.

But on the dedication, "technically, we're in a deadlock," said John C. Riordan, an employer trustee for the pension fund and a labor consultant for the Illinois Food Retailers Association, Countryside, Ill.

"The employer trustees voted in favor of it; the union trustees voted against it," Mr. Riordan said.

As a result, the trustees plan to put the dispute into binding arbitration. If they cannot agree on an arbitrator, Mr. Riordan said they will ask the federal court to appoint

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30 new managers handling $2.665 billion

Florida starts year with new look

By Barry B. Burr

TALLAHASSEE, Fla. — Sweeping changes occurred during the past year at the Florida State Board of Administration, resulting in the hiring of 30 managers for $2.665 billion.

The changes by the more than $7 billion fund are indicative of how sophisticated some public employee pension funds have become, using the full range of investment options and selecting top outside investment managers to supplement the internal staffs.

Among the Florida fund's new managers are three hired to run options overwrite programs on 10% of its $3 billion equity portfolio.

Most recently, it culminated its year of changes by adding two more managers — Alliance Capital Management Corp., Minneapolis, and Thorndike Doran Paine & Lewis, Boston, were hired in December. The additions marked the first time the fund moved a portion of its $3.6 billion domestic fixed-income portfolio to outside management.

Alliance Capital will run an $800 million portfolio of mortgage-backed securities. Thorndike Doran will actively manage a $250 million fixed-income portfolio, with authority to trade in any domestic fixed-income security.

Both portfolios previously had been managed internally.

Besides the broad scope of the changes, the moves to international, real estate, options and much of the equity broke new investment ground for the fund.

One of its equity managers, Westridge Capital Management Inc., Los Angeles, employs a buy/write strategy in running $50 million for the fund. Each time it buys a stock, it simultaneously sells a like number of call (buy) options on it, collecting an incremental premium.

In making the changes, the fund switched abruptly from running its assets primarily in-house.

Before selecting the 30 managers, the fund had one outside manager, Bankers Trust Co., hired in mid-1983 to run some $350 million in a stock index fund.

Now, however, the fund will have $3 billion, or 43% of its assets, run by outside managers.

All the changes had been reported in various stories in *Pensions & Investment Age*, except for the selections of Alliance and Thorndike Doran.

Florida's broad shift in investment strategy is characteristic, albeit more substantial, of many public funds' recent move to diversify managers and enter new investment arenas.

The past year was replete with such examples.

Until 1984, for instance, the $350 million city of Chicago Laborers & Employees Annuity & Benefit Fund was run solely by Alliance Capital.

This year it announced the hiring of eight managers in equities, fixed income and real estate, splitting up about $230 million and retaining Alliance to run the rest (*P&I Age*, Oct. 29).

The $80 million Lansing City Retirement System was run in-house by one person. Then it hired Prudential-Bache Securities' consulting division to re-evaluate the fund and wound up hiring four managers this summer (*P&I Age*, Aug. 20).

In 1985, the Iowa Public Employees Retirement System likely will make substantial changes. Earlier this year, it hired Wilshire Associates to conduct a major study.

Dennis L. Jacobs, deputy administrator, said the $2.3 billion fund plans to invest for the first time in real estate and venture capital; it also plans to boost its equity allocation to the statutory 25% limit from 17%.

At the same time, it will hire more managers, diversifying from the three that now run all but the 8% of the fund in cash equivalents, which is managed in-house.

"We're looking to add some additional managers," Mr. Jacobs said. "I would not use the term 'many more.' I wouldn't say we will hire as many as 15."

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Rising soft-dollar use called top issue of '84

By Nancy K. Webman

The growing use of soft dollars, directed trades and rebates on brokerage transactions was the most important pension investment issue of 1984, a survey by *Pensions & Investment Age* shows.

The survey questionnaire, published in the Nov. 26 issue of *P&I Age*, asked readers to rank order, from among 20 choices, the Top Five stories in the industry for the year.

During 1984, several pension fund executives formulated detailed plans to cut the price-per-share their pension funds pay on trades. In the process, pressure was brought to bear on investment managers and brokerage firms to cooperate.

Many other pension fund executives are planning similar moves in 1985; *P&I Age* will provide detailed coverage of those plans and will explore the ramifications they will have on money managers, brokerage firms and others in the industry that service tax-exempt investors.

Honeywell Inc., Delta Air Lines Inc. and American Airlines are among the pension funds active or about to become active in this area.

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Flaws seen in models

By Rose Darby

Asset allocation models now used by many pension consultants and pension funds might be obsolete, according to some industry experts.

The models might be flawed because the majority are based on a study of the historic relationship between stock returns, bond returns and inflation; that relationship might have changed.

In particular, the volatility of bond prices and interest rates might be greater than assumed in the models, and the spread between common stock total returns and bond total returns might be narrower, according to some experts.

The majority of models in use are based on studies by Roger G. Ibbotson, now a professor at Yale University, and Rex Sinquefield, now chief investment officer of Dimensional Fund Advisors in Chicago.

Their study examined the total returns from stocks, corporate bonds, government bonds and Treasury bills for the 50-year pe-

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Vol. 13, No. 1 — Pensions & Investment Age (ISSN 0273-5466) is published every other Monday at 740 Rush St., Chicago, Ill. 60611. Second-class postage paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to Pensions & Investment Age, Circulation Dept. 740 Rush St., Chicago, Ill. 60611. Copyright 1985.

Late news

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It will say when a pension fund's interest in a pool or the pool's underlying assets is the plan asset.

If the underlying assets are considered plan assets, the pool manager would become a plan fiduciary and thus subject to the Employee Retirement Income Security Act's rules on prudence, diversification, acting solely in the interest of plan participants and beneficiaries and prohibited transaction rules.

In general, so-called "passive investment pools," such as hedge funds, would have to meet the tougher rules, while managers of "operating companies" would be exempt, sources said.

Investor group set

WASHINGTON — The Council on Institutional Investors, a group of public pension funds concerned with corporate governance issues such as greenmail and proxy votes, will be incorporated here Jan. 24.

About 15 public funds will be involved in the incorporation, including those in California, where the idea originated, a spokesman said. Others are located in New Jersey, Wisconsin, Delaware and Connecticut.

IDS chief resigns

MINNEAPOLIS — Bruce Lueck has resigned as president and chief executive officer of IDS Advisory Group to become president and chief executive officer of a private investment firm, Okabena in Minneapolis, according to an IDS Advisory spokesman.

Peter J. Anderson, president of IDS Equity Advisors, will take on the additional duties and title of president of IDS Advisory Group.

NCR setting up plans

DAYTON, Ohio — NCR Corp. is setting up three new defined contribution plans and changing its defined benefit plan from final-average to career-average.

Douglas Bartlett, NCR's director-employee benefits, U.S., declined to say how much the company will save in defined benefit liabilities, but said money will be redirected into the defined contribution plans. "It's a trade-off," he said.

The new plans offered by NCR are a payroll-based stock option plan to begin in January, and profit-sharing and 401(k) salary-reduction plans to begin in May, Mr. Bartlett said.

The company has hired State Street Bank and Trust Co., Boston, as trustee and administrator for the plans. The NCR treasurer's office is in the process of choosing investment managers.

FIA seeks exemptions

WASHINGTON — The Futures Industry Association has asked the Department of Labor to issue general exemptions in federal pension rules, in part to end some of the duplicative regulatory authority over financial futures to facilitate their use by pension funds.

Late money movers

• TOLEDO, Ohio — The $463 million Libbey-Owens-Ford Co. pension fund has made its first real estate investment, hiring Northern Trust Co., Chicago, for $37 million.

• JAMAICA, N.Y. — The $58 million Long Island Rail Road pension plan has appointed C.J. Lawrence Asset Management as a balanced manager for a $28 million account.

• SALEM, Oregon — The $4.2 billion Oregon Public Employees Retirement System hired Wertheim-Philippe International, New York, to manage a global equity account, said James George, investment manager. The account will be funded from cash flow.

• PALATINE, Ill. — Making its first venture capital investments, Square D Co. committed a total of $6 million to three pooled funds, said Dexter S. Free, treasurer and assistant secretary.

The $165 million pension fund divided the money among the Euclid II fund of Euclid Partners Corp., Boston; Summit Ventures, Boston; and a fund of Weiss Peck & Greer, New York.

• HOUSTON — To consolidate its profit-sharing assets spread out among several financial firms, Ivex Corp. hired Harris Trust & Savings Bank, Chicago, as trustee and investment manager, said Rocky Chan, Ivex's general accounting manager. He said the plan's assets range between $5 million and $10 million.

Funds active in passive style

By Trudy Ring

Passive investment approaches dominated investment management changes by pension and other tax-exempt funds in 1984.

Investment management firms that offer guaranteed investment contracts, dedicated or immunized bond portfolios and stock index funds recorded the biggest net dollar gains in new tax-exempt business in 1984.

Metropolitan Life Insurance Co., New York, had the largest net gain in new tax-exempt business, adding $5.5 billion. As of Nov. 15, the company had $31.4 billion in tax-exempt assets under management.

Its net percentage gain was 17.7%.

Much of Metropolitan's gain came from GICs. They accounted for $3 billion in new business last year. New GIC clients included Shell Oil Co., Getty Oil Co., Goodyear Tire & Rubber Co., U.S. Steel Corp. and Volvo of America Corp.

Metropolitan also gained $1.8 billion in deferred annuities, balanced accounts, close-outs and master terminal funds; $530 million in fixed-income; $132 million in equities; and $49 million in real estate.

Close-outs involve the insurer's taking over a company's liabilities when a pension fund is terminated; a master-terminal funding contract is a single-premium immediate annuity.

Officials said Metropolitan gained 122 clients and did not lose any business.

(*Pensions & Investment Age* asked money managers to report business gained and lost between Jan. 1 and Nov. 15. Those reporting the largest net gains in business in various asset classes are shown in the tables below.)

The second largest net dollar gain was by Wells Fargo Investment Advisors, San Francisco, which specializes in stock and bond index funds. Its gain was nearly $2.8 billion, or 18.6%. It had $14.8 billion in tax-exempt assets under management Nov. 15.

It won $3.2 billion in business, with $2.2 billion from 12 new clients and $1 billion from existing clients, but lost $440 million in business from 10 clients.

Of the new business, $2.8 billion was for equities, $393 million for asset allocation and $33,000 for fixed-income.

New clients included General Electric Co., United Air Lines and Seattle City Employees' Retirement System.

The third largest net gain was to a company that had just one new client. National Investment Services of America, Milwaukee, got the job of managing a $2.4 billion dedicated bond portfolio for American Information Technologies Corp., Chicago. The Ameritech bond trades actually were done Dec. 3, but the account was included in the tally because of its significant size.

NISA also gained $85 million in tax-exempt assets from existing clients. It lost $122 million from seven clients, however, so its net dollar gain was $2.3 billion.

It also had a huge net percentage gain, 78.4%, as the Ameritech contract quadrupled the firm's tax-exempt assets under management, to about $3 billion.

State Street Bank and Trust Co., Boston, which is active in stock indexing and dedication and immunization, ranked fourth in net dollar gain, with $1.934 billion.

State Street gained $720 million in equity business from such clients as Miles Laboratories Inc., Deere & Co. and Reader's Digest Association Inc. Balanced accounts brought in $566 million of the gain. Names of clients were kept confidential.

New fixed-income business came to $464 million, with clients including Anheuser-Busch Companies Inc. and Owens-Illinois Inc.

Stock index futures provided $134 million of the new business; clients included Raytheon Co. and Tenneco Inc. Real estate accounted for $50 million, with the State of Connecticut as a new client.

Overall, State Street had 23 new clients with $1.3 billion in business and had $660 million in additional business from existing clients. It lost one client and $30 million in business.

Its net percentage gain was 20.9%. It had $9.1 billion in tax-exempt assets under management Nov. 15.

The Travelers, Hartford, Conn., a leader in GICs, had the fifth largest net dollar gain, with $1.928 billion. GICs accounted for $1.3 billion of this.

Travelers also had $236 million in new fixed-income business, $196 million in equities, $175 million in financial futures and $23 million in real estate.

The company added 93 clients but declined to release their names for publication.

Travelers' net percentage gain was 10.8%. As of Nov. 15, it had $17.9 billion in tax-exempt assets under management.

Another leading provider of GICs, Aetna Life & Casualty Co., had the sixth largest net dollar gain with $1.8 billion. GICs accounted for $969 million worth of new business. New GIC clients included police and fire departments in two Iowa communities, Associated Materials, Logan Machine and several others whose names were kept confidential.

Aetna also gained $391.6 in real estate business for the St. Louis Public School Retirement System, Camelback Hospital, Halton Tractor Co. and several others.

Its new business also included $324.6 million in general accounts, $96.3 million in equities, $27.5 million in fixed income, $15.9 million in short-term instruments, $6.6 million in individually managed accounts and $2.5 million in annuities and close-outs.

Aetna had 65 new client contracts but they accounted for just $309 million of its new business. The remaining $1.5 billion came from new contributions from existing clients.

Aetna lost $10.7 million worth of business. As of Sept. 30, the latest date for which figures were available, the company was managing $27.3 billion in tax-exempt assets. Its net percentage gain in 1984 was 6.7%.

Fischer, Francis, Trees and Watts, New York, a specialist fixed-income manager, had the sev-

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Net dollar gain
(managers over $1 billion)

Rank	Companies	$ millions
1.	Metropolitan Life New York	5,576
2.	Wells Fargo Inv. Advisors San Francisco	2,764
3.	National Investment Services Milwaukee	2,353
4.	State Street Bank Boston	1,934
5.	Travelers Hartford, Conn.	1,928
6.	Aetna Life & Casualty Hartford, Conn.	1,823
7.	Fischer, Francis, Trees & Watts New York	1,548
8.	Prudential Asset Management Newark, N.J.	1,540
9.	Mellon Capital Management San Francisco	1,480
10.	Batterymarch Boston	1,152

Net dollar gain
(managers $250 million to $1 billion)

Rank	Companies	$ millions
1.	Morley Capital Lake Oswego, Ore.	301
2.	Treynor-Arbit Chicago	295
3.	Trinity Investment Mgt. Boston	289
4.	Goldman, Sachs New York	280
5.	Newbold's Asset Management Philadelphia	274
6.	Waddell & Reed Kansas City, Mo.	268
7.	Eastdil Realty Inc. New York	258
8.	Karsten Institutional Realty Los Angeles	255
9.	ABD International New York	247
10.	TCW Realty Los Angeles	224

Net dollar gain
(managers under $250 million)

Rank	Companies	$ millions
1.	PRIMECAP Management Pasadena, Calif.	162
2.	Geewax, Terker & Co. King of Prussia, Pa.	150
3.	Julius Baer New York	110
4.	Rampart Investment Mgt. Boston	108
5.	Lehndorff & Babson Real Estate Boston	107
6.	Daniel Breen & Co. Houston	106
7.	Meridian Management Little Rock, Ark.	106
8.	Heartland Capital Management Indianapolis	100
9.	Summit Management Co. Los Angeles	99
10.	Chesapeake Capital Mgt. Baltimore	99

Most new equity business (managers over $1 billion)

Rank	Companies	$ millions
1.	Wells Fargo Inv. Advisors San Francisco	2,811
2.	Mellon Capital Management San Francisco	1,480
3.	Batterymarch Boston	1,186
4.	Sanford C. Bernstein New York	1,116
5.	State Street Boston	720
6.	Barrow, Hanley, Mewhinney & Strauss Dallas	575
7.	Fidelity Management Trust Boston	550
8.	Gardner & Preston Moss Boston	496
9.	Chase Investors New York	485
10.	Dimensional Fund Advisors Los Angeles	483

Most new equity business (managers $250 million to $1 billion)

Rank	Companies	$ millions
1.	Treynor-Arbit Chicago	365
2.	Trinity Investment Mgt. Boston	289
3.	Newbold's Asset Management Philadelphia	274
4.	Kingsley, Jennison, McNulty & Morse San Francisco	226
5.	Eaton Vance Management Boston	216
6.	Pilgrim, Baxter, Hoyt & Greig Philadelphia	205
7.	Beutel, Goodman Houston	200
8.	Waddell & Reed Kansas City, Mo.	199
9.	Hagler, Mastrovita & Hewitt Boston	178
10.	Avatar New York	175

Most new equity business (managers under $250 million)

Rank	Companies	$ millions
1.	PRIMECAP Management Pasadena, Calif.	162
2.	Geewax, Terker & Co. King of Prussia, Pa.	150
3.	Meridian Management Little Rock, Ark.	106
4.	C-S Capital Cincinnati	103
5.	Ashland Management New York	91
6.	R. Meeder & Associates Columbus, Ohio	83
7.	Chesapeake Capital Mgt. Baltimore	83
8.	Roanoke Asset Management New York	81
9.	Daniel Breen & Co. Houston	79
10.	W. H. Reaves Jersey City, N.J.	69

Managers of index funds report largest gains

By Trudy Ring

Firms that run index funds scored some of the largest business gains among equity managers in 1984, but those with other approaches also drew numerous clients.

Indexing is more appealing to large funds than small ones, so firms that run index funds tend to have large amounts of money under management. Among firms with more than $1 billion under management, three of the top five gainers manage index funds. The two that gained the most dollars are leaders in index funds; the third gave up indexing several years ago.

The top gainer was Wells Fargo Investment Advisors, San Francisco, with $2.8 billion in new equity business. The company, which offers only index fund management, was well positioned in a year in which index funds outperformed most active portfolios.

Wells Fargo's new business included a $1.5 billion account from General Electric Co. Its 11 new equity clients also included the Northern California Retail Clerks, Walnut Creek, Calif.; United Air Lines, Chicago; Quotron Systems, Los Angeles; Continental Grain Co., New York; Allegheny Power System, New York; C.W. Benedum Foundation; and the Seattle City Employees Retirement System.

It offers a Standard & Poor's 500 index fund and an extended market fund that uses stocks not listed in the S&P 500. On the fixed-income side, it uses a Shearson Lehman Government/Corporate Bond Index fund.

The firm with the second largest equity management gain was Mellon Capital Management Corp., San Francisco, with nearly $1.5 billion. Also an index fund manager, Mellon added 13 equity clients including the New York City Teachers' Retirement System, State of Delaware, Hawaii Employees' Retirement System, Virginia Supplemental Retirement System, Burroughs Corp. and General Mills Inc.

It offers an S&P 500 index fund and a market completion fund that uses stocks not included in the S&P index, but the indexes can be customized according to the needs of clients, said Tom Loeb, president.

The third largest gainer, Batterymarch Financial Management, Boston, gave up indexing several years ago because "it had become an uninteresting commodity," said Alan Strassman, executive vice president.

Batterymarch, which gained $709 million from 17 new clients and $477 million from existing clients, is a contrary investor.

The popularity of Batterymarch, coinciding with the popularity of managers with far different approaches, shows there is room for diversity in the market, Mr. Strassman said.

Evidence of this diversity also comes from the fourth largest gainer, Sanford C. Bernstein & Co., New York, which does no passive management.

"I think people are hiring us for the opposite reason they would hire a Mellon or Wells Fargo," said Richard Abramson, director of pension asset management at Bernstein.

Large pension funds often hire one of the index specialists as a core

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Most new fixed-income business (managers over $1 billion)

Rank	Companies	$ millions
1.	National Investment Services Milwaukee	2,485
2.	Fischer, Francis, Trees & Watts New York	1,585
3.	Miller, Anderson & Sherrerd Bala Cynwyd, Pa.	823
4.	Lincoln Capital Mgt. Chicago	741
5.	RepublicBank Dallas Dallas	712
6.	Morgan Stanley Asset Mgt. New York	699
7.	Neuberger & Berman New York	677
8.	Wentworth, Hauser, Violich San Francisco	557
9.	Griffin Group Chicago	554
10.	Metropolitan Life Insurance New York	530

Most new fixed-income business (managers $250 million to $1 billion)

Rank	Companies	$ millions
1.	CM&M Asset Management Philadelphia	134
2.	Chicago Corp. Chicago	111
3.	Investment Counselors-Maryland Baltimore	70
4.	Waddell & Reed Kansas City, Mo.	69
5.	Ward & Wissner New York	67
6.	Eaton Vance Management Boston	37
7.	Fiduciary Mgt. Associates Chicago	35
8.	Shearson/American Express New York	30
9.	Drexel, Burnham Philadelphia	29
10.	Bessemer Trust New York	21

Most new fixed-income business (managers under $250 million)

Rank	Companies	$ millions
1.	Summit Management Co. Los Angeles	88
2.	Lotsoff Capital Mgt. Chicago	65
3.	Wolf, Webb, Burk & Campbell Philadelphia	55
4.	Daniel Breen & Co. Houston	28
5.	Ferris & Co. Washington	25
6.	Qualified Counseling Syracuse, N.Y.	15
7.	Smith Affiliated New York	15
8.	Julius Baer New York	8
9.	Securities Counselors of Iowa Cedar Rapids, Iowa	6
10.	Cumberland Advisors Vineland, N.J.	6

Dedication, immunization attract large funds

By Trudy Ring

Bond managers gained much business through dedicated and immunized portfolios in 1984, but other management approaches also drew substantial funds.

Dedication and immunization were prevalent among large managers with large accounts.

"There are some very, very large assets that have been dedicated or immunized," said Dave Eager, a partner in the consulting firm of Eager and Cummings, Louisville, Ky.

The biggest dollar gain shown by a fixed-income manager was due to a $2.4 billion dedicated bond portfolio. National Investment Services of America, Milwaukee, is managing the portfolio for American Information Technologies Corp., Chicago.

Dedication is, and will continue to be, an important tool, said Joseph Gorman, NISA president and chief investment officer.

"An awful lot of people have done it already, and I expect a lot more will do it in the future," he said. "For most of the bulk of pension plans, it fits like a glove."

Ameritech was NISA's only new client for tax-exempt funds last year. NISA also gained $85 million from existing clients but lost seven clients with a total of $132 million.

Other managers that showed large gains due to dedication and immunization included Fischer, Francis, Trees & Watts, New York, and Lincoln Capital Management, Chicago. Each firm has more than $1 billion under management.

Fischer, Francis, which showed a gain of $1.5 billion in fixed-income business in 1984, has a large amount of dedicated portfolios, all actively managed, said John Watts, managing director.

Lincoln Capital specializes in dedication and contingent immunization, said Ken Meyer, executive vice president. It gained $741 million in fixed-income business in 1984.

Mr. Meyer said he thinks interest in dedication and immunization has grown out of a re-evaluation of investment objectives for fixed-income portfolios and a lack of confidence in more traditional active management approaches.

Continued on page 26

Changes set at P&I Age

Several staff promotions and additions have been announced at *Pensions & Investment Age*.

Elizabeth Karier, the magazine's copy editor for more than two years, has been named assistant managing editor. Ms. Karier formerly was assistant copy desk chief for the Milwaukee Sentinel and, before that, a copy editor for the Middletown (N.Y.) Times Herald-Record.

Peter Kobel has been hired to succeed Ms. Karier as copy editor. He previously was a copy editor for Encyclopaedia Britannica, Chicago, and was a reporter for several newspapers. Both work in *P&I Age's* Chicago office.

In New York, Mark Westerbeck has been promoted to associate editor. In his new position, Mr. Westerbeck will continue to be in charge of the magazine's real estate coverage. He also will be writing about the pension investment field.

Another New York staff member, Eddy Christman, has been promoted to reporter/researcher from editorial assistant. Mr. Christman will be launching a new research column in 1985, and will be overseeing the compilation of the numerous directories published by *P&I Age*.

Trudy Ring has been hired as a staff reporter in the Chicago office. She will be covering general pension investment news in the Midwest. Ms. Ring previously was a business writer for the Moline (Ill.) Daily Dispatch, where she had worked for 4½ years. Before that, she was a general assignment reporter for the Galesburg (Ill.) Register-Mail.

Thomas J. Linden has been hired as assistant editorial production manager, also in Chicago. Mr. Linden formerly was day-shift supervisor for Crain Communications Inc.'s photocomposition department. Previously, he was an advertising artist for a chain of retail grocery stores. Crain publishes *P&I Age* and more than 20 other newspapers and magazines. ■

Elizabeth Karier

Mark Westerbeck

Corrections

• In the Nov. 26 issue, the Pensions & Investments' Performance Evaluation Report for international funds had incorrect figures for the **Europe Australia Far East** index. Correct EAFE numbers for the third quarter and one-, three-, five- and 10-year periods ending Sept. 30 are 0.8%, 9.6%, 12.5%, 8.6% and 14.6%, respectively.

• Each module for the new treasury workstation BankLink II-ICM, introduced by the balance reporting network **BankLink**, can be bought separately, priced from $10,000 to $15,000. The bank relationships module is priced at $5,000. Licensee banks offering BankLink II-ICM will charge from $10,000 to $35,000 depending on the number of modules.

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